

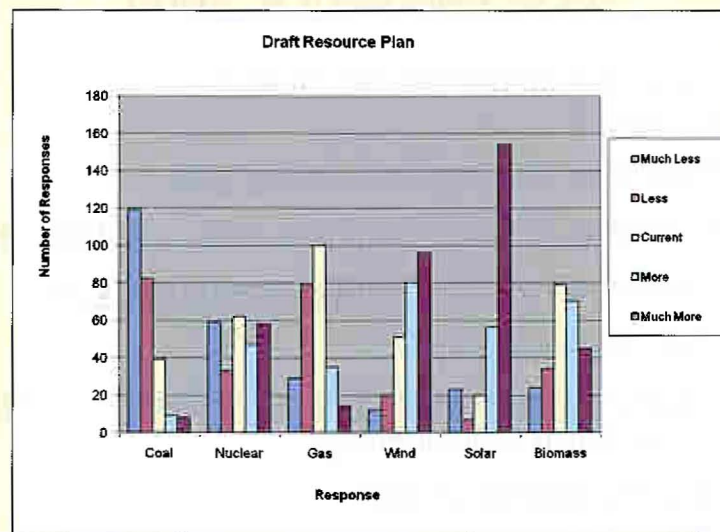
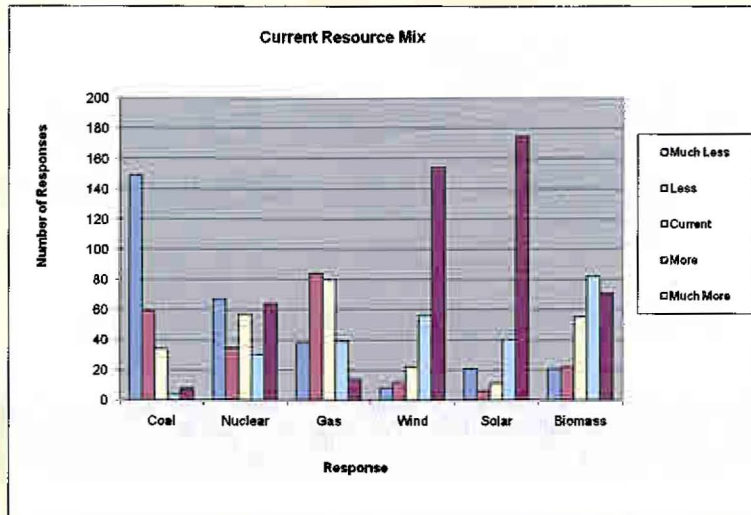



Public Participation Process

City Council Presentation – February 12, 2009


As of February 8, 2009

- Town Hall Meetings held within AE's service territory: 8
- Town Hall Meeting Attendance: 239
- Questions answered at Town Hall Meetings: 320
- Launched Web site: austinsmartenergy.com
- Web site hits: 205,420
- *Resource Guide* published and distributed online and at Town Hall Meetings
- Surveys submitted: 288







Austin Energy logo featuring a stylized lightning bolt and the text "AUSTIN ENERGY".



Four white wind turbines standing in a row against a blue sky.



A person wearing a hard hat and safety glasses, working on a large industrial machine.




A large industrial facility, likely a power plant, with tall smokestacks and buildings.


City Council Presentation

STP Expansion Units 3 & 4


February 12, 2009



A rainbow arching over a field with some structures in the background.



A large array of solar panels installed in a field.



Plug-In Austin logo featuring a green car with a plug symbol on its front and the text "plug-In Austin".

Agenda

- Existing Nuclear Generation
- Proposed New Units
- Consultant Assessment and Recommendation
- Staff Recommendation

Existing Participation Agreement for STP 1 & 2

- Jointly Owned
 - Austin Energy 16%
 - City Public Service San Antonio 40%
 - NRG 44%
- Output Capability of 2,725 MW
- STP Provides 436 MW to AE
- Provides for Additional Units and Option to Participate at same Ownership Share

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NRG Proposal/Notice

- Two Advanced Boiling Water Reactors (ABWR)
- Estimated Net Capacity: 1350 MW each
- AE Share @ 16% Participation
 - Two Unit Net Capacity: 432 MW
 - AE's Estimated Cost to Build: \$ 2.0 B

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Consultant Assessment

WorleyParsons Experience

- 40+ years of Nuclear Industry Experience
 - Permitting
 - Design
 - Construction
 - Operation

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Consultant Scope of Work

- Risk Assessment
 - Licensing Risks
 - Engineering Risks
 - Effectiveness of Management Organization
 - Construction Risks
 - Schedule Risks
- ERCOT Market Assessment
- Project Financial Analysis

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Financial Analysis

- 14 Economic and Business Environment Scenarios Analyzed
- Variables: Fuel Cost, Power Price, Interest Rates, Construction Costs, Construction Duration, Capacity Factor, Operational Life

Austin Energy Results	Scenario Ranges		Expected Scenario
	All Negatives	All Positives	
Net Present Value (\$B)	\$-1.0	\$16.3	\$2.0
Rate of Return	Loss	17.2%	12.3%
Power Cost, \$/MWh (2008 \$)	\$134.0	\$65.1	\$82.8

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Consultant Conclusions

- Insufficient Owner Protection For Schedule, Cost, Contractor, and Regulatory Risks
- Large cash contributions through at least 2016
- Large capital cost risk not within AE's control
- Potential downgrade of AE Bond Rating
- Rate of Return less than expected for projects of similar risk

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Consultant Recommendation

- Recommendation Context
 - WorleyParsons is very positive on ABWR and the STP project, and strongly supportive of the resurgence of nuclear power in the U.S.
 - WorleyParsons recommendation is based solely on their assessment of the business proposition and its risk profile to AE
- WorleyParsons/Pace Global recommends that Austin Energy not take an equity participation share in the STP 3 & 4 Project

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Staff Recommendation

Decline Participation in the Proposed STP 3 & 4 Expansion Project

- Analysis shows a \$2B Open-Ended Financial Obligation
- 9 Year Open-Ended Project Schedule
- Excess Baseload Generation for AE
- Nuclear Waste Issue Unresolved

10

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